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GUIDE TO TRUMP ACCOUNTS

How to Optimize Retirement Savings for Young Children

In late 2025, the IRS released initial guidance on a new type of tax-advantaged savings account for children known as Trump Accounts, created by the One Big Beautiful Bill Act (OBBBA) of 2025. This guide explains what Trump Accounts are, who is eligible, how they work, and planning considerations for families with young children.

What Are Trump Accounts?

Trump Accounts are new custodial-style individual retirement accounts (IRAs) established for the benefit of U.S. children who have not yet reached age 18 by the end of the tax year in which the account election is made. They operate under a special set of rules during a "growth period" that lasts until the calendar year before the child turns 18, after which the account generally transitions to a traditional IRA with standard IRA distribution rules.

Unlike custodial Roth IRAs, Trump Accounts:
- Do not require earned income to be established.
- Are designed specifically for children under age 18 with Social Security numbers.
- Are governed by distinct contribution and investment rules during the growth period, such as funds must be invested in eligible broad U.S. equity index funds or ETFs with an expense ratio typically not exceeding 0.10%

A Trump Account may be established for a child who:
- Has a valid Social Security number issued before the election is made.
- Is under age 18 by the end of the calendar year the election is made.

An adult "authorized individual," typically a parent, legal guardian, or other qualifying relative, must make an election to establish the account on behalf of the child, usually by filing IRS Form 4547, Trump Account Election with the tax return or through the online portal at trumpaccounts.gov.

Contributions and the Pilot Program

Trump Accounts launch on July 4, 2026, meaning no contributions may be made before this date.

Key contribution details include:
- A one-time government seed contribution of $1,000 for eligible children born between January 1, 2025, and December 31, 2028.
- Annual contribution limits of up to $5,000 (aggregated) from all contributors for 2026 and 2027, indexed thereafter.
- Contributions can be made by parents, grandparents, other individuals, employers (up to $2,500 per year), and even qualified organizations.

Investment and Growth Period Rules

During the "growth period" (from establishment until December 31 of the year before the child turns 18):
- Trump Accounts must be invested in eligible assets per IRS guidance.
- Withdrawals are generally restricted until the account beneficiary reaches age 18.
- After the growth period ends, Trump Accounts are generally treated as traditional IRAs, with withdrawals and distributions subject to normal IRA rules.

How Trump Accounts Fit Into Your Child's Financial Plan

Trump Accounts represent a new tax-advantaged vehicle distinct from other savings options like 529 college savings plans, custodial (UGMA/UTMA) accounts, and custodial Roth IRAs. Because Trump Accounts do not require earned income, they may provide a broader opportunity for early savings, especially when combined with annual contributions and the one-time government seed amount.

However, they also come with unique restrictions on investments and withdrawals during the growth period.

Families should consider:
- How Trump Accounts interact with college savings priorities and estate or gifting strategies.
- Whether annual contribution limits and investment rules align with other goals.
- The long-term tax implications of converting to a traditional IRA after age 18.

As additional IRS regulations and formal guidance are released, planning opportunities and compliance requirements may continue to evolve.

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